



STAFF REPORT

Meeting Date: January 28, 2014

Agenda Item #8F

Agency: City of Belmont

Staff Contact: Thomas Fil, Finance Department, (650) 595-7435 tfil@belmont.gov

Agenda Title: Resolution of the City Council Approving a Service Agreement with Magis Advisors to Perform Services as Financial Advisor

Agenda Action: Resolution

Recommendation

It is recommended that the City Council approve the attached resolution authorizing the City Manager to execute a Service Agreement with Magis Advisors to perform services for the City of Belmont as financial advisor.

Background

From time to time the City has need of financial advisory services related to issuing bonds that are highly technical and require the services of a financial advisor with specialized expertise.

Analysis

Magis Advisors has served as the City's financial advisor for over a decade and has provided superior service during that time. The City Treasurer and Finance Director wish to continue to engage Magis Advisors for future bond issues.

Staff requests that the City Council authorize the procurement of financial advisory services, on an as needed basis, from Magis Advisors at the rates set forth in Exhibit A to the proposed resolution accompanying this report, and contingent upon the availability of existing funds.

There is a companion report recommending the engagement of Quint & Thimmig LLP as bond and disclosure counsel in connection with the same future bond issues.

Alternatives

1. Deny the requested authority.
2. Continue the item for further discussion.

Attachments

- A. Implementing Resolution

Fiscal Impact

- ☐ No Impact/Not Applicable
☒ Funding Source Confirmed:

Financial advisory services rendered in the process of issuing a bond are a component of what is called “bond issuance cost”. Payment of bond issuance costs are typically contingent upon the issuance of the bonds and are routinely paid from bond proceeds. As a result, they generally will not have a direct financial impact on the City’s fund balance reserves or require the use of revenues earmarked for other services. For other matters, the authorization for procurement of financial advisory services requested is limited to the amount of available funds appropriated within the fiscal year budget for that purpose.

The timing of debt issues is predicated on many factors and, as a consequence, the fiscal year budget as originally adopted, may need to be amended to reflect a particular bond issuance. If not originally appropriated in the fiscal year budget, staff will request an amendment contemporaneous with the approval of the debt issue to provide appropriation authority for this purpose.

Source:

- ☐ Council
☒ Staff
☐ Citizen Initiated
☐ Other*

Purpose:

- ☐ Statutory/Contractual Requirement
☐ Council Vision/Priority
☒ Discretionary Action
☐ Plan Implementation*

Public Outreach:

- ☒ Posting of Agenda
☐ Other

RESOLUTION NO. 2014-

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BELMONT APPROVING A SERVICE AGREEMENT WITH MAGIS ADVISORS TO PERFORM SERVICES AS FINANCIAL ADVISOR

WHEREAS, from time to time the City has need of financial advisory services related to bond issuance; and,

WHEREAS, the financial advisory firm Magis Advisors has demonstrated expertise in this field; and,

WHEREAS, financial advisory services rendered in the process of issuing a bond are a component of bond issuance costs and are typically contingent upon the issuance of the bonds, routinely paid from bond proceeds, and generally will not have a direct financial impact on the City's fund balance reserves or require the use of revenues earmarked for other services; and,

WHEREAS, the timing of debt issues is predicated on many factors and, as a consequence, the fiscal year budget as originally adopted, may need to be amended to reflect a particular bond issuance and provide appropriation authority for this purpose; and,

WHEREAS, for other matters, the authorization granted herein for procurement of financial advisory services is limited to the amount of available funds appropriated within a fiscal year budget for that purpose.

NOW, THEREFORE, the City Council of the City of Belmont resolves as follows:

SECTION 1. The City Manager is authorized to negotiate and execute an agreement purchasing financial advisor services from Magis Advisors at the rates set forth in Exhibit A. This authorization is limited to the amount of available funds appropriated within a fiscal year budget for that purpose.

* * *

ADOPTED January 28, 2014, by the City of Belmont City Council by the following vote:

Ayes:

Noes:

Absent:

Abstain:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

City Attorney

EXHIBIT “A”

SCHEDULE OF FEES

PART I. COMPETITIVE SALE

Total compensation (excluding expenses) (i) for performing the **General Financial Advisory Services** Tasks 1 through 4 described in Exhibit A – Scope of Services, and (ii) for completion of **Specific Financial Advisory Services** Tasks 1-18 also described in Exhibit A - Scope of Services, are based on the complexity of the bond issue, the use of the proceeds and the credit characteristics of the offering as follows:

Table 1: Competitive Sale Arrangements: \$3.0 million to \$40.0 million ⁽¹⁾

<i>Transaction Type</i>	<i>New Money</i>	<i>Refunding</i> ⁽²⁾	<i>Add'l Series</i> ⁽³⁾
General obligation bonds	\$ 32,500	\$ 35,000	\$ 2,000
Enterprise revenue (water or sewer)	38,500	42,000	2,500
Other revenue (solid waste, JPA, etc)	40,000	43,500	2,500
Lease revenue/COP	42,500	46,500	2,500
Tax increment/allocation	47,000	52,000	3,500
Special assessment ⁽⁴⁾	52,000	56,000	4,000
Special tax/Mello Roos CFD ⁽⁴⁾	56,000	66,000	4,000

PART II. NEGOTIATED SALE

Total compensation (excluding expenses) (i) for performing the **General Financial Advisory Services** Tasks 1 through 4 described in Exhibit A - Scope of Services, and (ii) for completion of **Specific Financial Advisory Services** Tasks 1 - 10 and Tasks 19 - 28 described in Exhibit A - Scope of Services are based on the complexity of the bond issue, the use of the proceeds and the credit characteristics of the offering as follows:

Table 2: Negotiated Sale Arrangements: \$5.0 million to \$50.0 million ⁽⁵⁾

<i>Transaction Type</i>	<i>New Money</i>	<i>Refunding</i> ⁽²⁾	<i>Add'l Series</i> ⁽³⁾
General obligation bonds	\$ 26,500	\$ 28,500	\$ 1,000
Enterprise revenue (water or sewer)	32,000	34,000	2,000
Other revenue (solid waste, JPA, etc)	34,500	37,500	4,200
Lease revenue/COP	36,750	40,500	4,000
Tax increment/allocation	41,750	46,000	5,000
Special assessment ⁽⁴⁾	46,000	49,000	2,500
Special tax/Mello Roos CFD ⁽⁴⁾	46,000	54,000	5,000

PART III. PRIVATE OR BANK PLACEMENTS

Total compensation (excluding expenses) (i) for performing the **General Financial Advisory Services** Tasks 1 through 4 described in Exhibit A - Scope of Services, and (ii) for completion of **Specific Financial Advisory Services** Tasks 1 - 10 and Tasks 29 - 30 described in Exhibit A - Scope of Services are based on the complexity of the Loan, the use of the proceeds and the credit characteristics of the offering as follows:

Table 2: Private and Bank Placements: \$0.5 million to \$5.0 million ⁽⁶⁾

<i>Transaction Type</i>	<i>New Money</i>	<i>Refunding ⁽²⁾</i>	<i>Add'l Series ⁽³⁾</i>
Enterprise revenue (water or sewer)	\$ 15,500	\$ 17,500	\$ 1,000
Other revenue (solid waste, JPA, etc)	23,500	26,500	4,200
Lease revenue/COP	25,750	29,500	4,000
Tax increment/allocation	30,750	35,000	5,000
Special assessment ⁽⁴⁾	35,000	38,000	2,500
Special tax/Mello Roos CFD ⁽⁴⁾	35,000	43,000	5,000

PART IV. NOTES TO TABLE 1 AND TABLE 2:

(1) Competitive sales less than \$3.0 million will be priced according to the issuer's requirements by mutual agreement between Consultant and Client. Sales over \$40.0 million will be priced at the fee indicated plus a surcharge negotiated with the issuer.

(2) Quotes for refunding issues assume: (a) not more than two series of bonds are to be refunded; (b) one "transferred proceeds" calculation is required; and (c) refunding proceeds are invested in U.S. Treasury SLGs. Extensive escrow modeling above these requirements or use of open market securities for defeasance escrow is "Additional Work" for which Consultant shall be compensated separately.

(3) Per additional series, up to four total series. No additional fee above four total series.

(4) Special assessment and special tax/Mello Roos issue fees are for services delivered subsequent to resolution of formation. Services delivered prior to the adoption of such resolution are "Additional Work."

(5) Negotiated sales less than \$5.0 million will be priced according to the issuer's requirements by mutual agreement between Consultant and Client. Sales over \$50.0 million will be priced at the fee indicated plus a surcharge negotiated with the issuer.

(6) Private or bank placements greater than \$5.0 million will be priced according to the issuer's requirements by mutual agreement between consultant and Client.

Please note the following: Initial offerings for enterprise revenue issues and or/ JPA issues are also subject to a one-time surcharge of 40% of the indicated fee amounts.

Services delivered to Client that are “Additional Work” will be charged at the hourly rates shown below. The rates shown below are reviewed annually and are subject to adjustment (at no more than the change in the Consumer Price Index for All Urban Consumers) effective January 1st of each year.

Table 3: Hourly Rates

<i>Personnel</i>	<i>Hourly Rate</i>
Principal Owner/President	\$ 300
Principals	275
Vice Presidents	225
Senior Associates	160
Associates	130
Analysts	90
Administrative/Secretarial	70